City of St. Albert

Audit Findings Report

for the year ended December 31, 2023

KPMG LLP

Prepared as of June 12, 2024 for presentation to the Mayor and Council on June 18, 2024

kpmg.ca/audit

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The purpose of this report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements of the City of St. Albert as at and for the year ended December 31, 2023. This report is intended solely for the information and use of Management and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

This Audit Findings Report is also available as a "hyper-linked" PDF document.

If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements ("financial statements") of City of St. Albert (the "City"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Significant changes

Significant changes since our audit plan

During the course of our audit, we identified an unrecorded employee future benefit obligation. The measurement of this obligation required the assistance of an actuarial firm. As a result, this matter contributed to both additional audit effort and a revision to the timeline to complete the financial reporting for fiscal 2023. Refer to slide 8 for further details.

Risks and results

Significant risks

- Completeness of asset retirement obligations – refer to slide 6
- Best estimate of the expenditure required to settle the present asset retirement obligations – refer to slide 7

Other risks of material misstatement

- Completeness of employee future benefits

Going concern matters

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Specific topics

Uncorrected misstatements

Uncorrected misstatements

Professional standards require that we request of management and Council that all identified audit misstatements be corrected. We have already made this request of management. Refer to the summary of uncorrected audit misstatements on slide 10 and within the management representation letter within Appendix 2.

Corrected misstatements

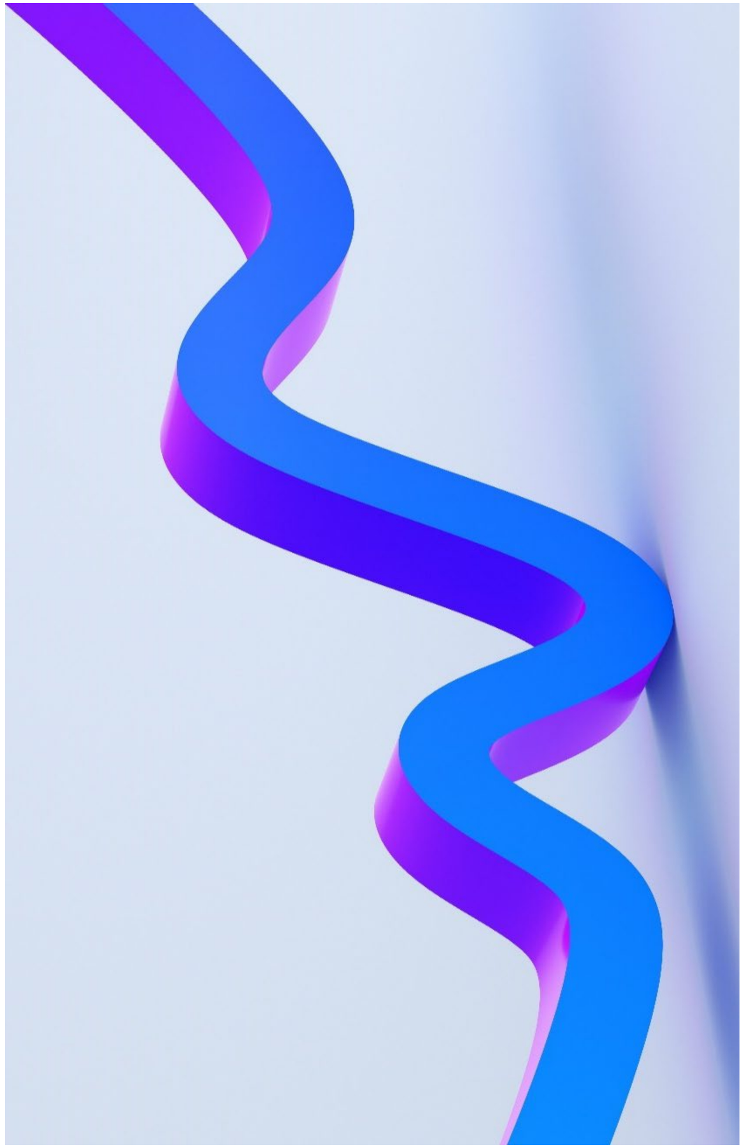
Corrected misstatements

Control deficiencies

Control deficiencies

Refer to slide 12 for control deficiencies identified.

Status



As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Obtaining a signed management representation letter;
- Completing subsequent event procedures to the date of our auditor’s report; and
- Obtaining evidence of the Council’s approval of the financial statements.

We will update the Council, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor’s report is provided in Appendix 1: Draft Auditor’s Report.

Our auditor’s report will be dated upon the completion of any remaining procedures. As discussed in the Audit Planning Report previously presented to you, we also completed or are completing the following assurance engagements:

- St. Albert Public Library Board (“the Library”) financial statements;
- Municipal Financial Information Return (“FIR”) for the City;
- Family and Community Support Services (“FCSS”) special reporting; and
- Green Municipal Fund – Project No. 18262 special reporting.

Significant risks and results

We highlight our audit response and significant findings, if any, in respect of **identified significant risks.**

Completeness of asset retirement obligations

RISK OF ERROR

Significant risk	Estimate?
The provisions related to asset retirement obligations are not completely identified and recorded.	No

Our response

Our procedures included:

- Inspection of the accounting processes and policies implemented by management to identify asset retirement obligations, including evaluation of the applicable legislation and contracts identified by management.
- Verified completeness of the listing of assets used by management to analyze asset retirement obligations by comparing of the total per this listing to the tangible capital assets continuity subject to other audit procedures.
- Inspection of management's analysis of assets with no identified asset retirement obligations to determine if management's conclusion is appropriate.

Significant qualitative aspects of the Entity's accounting practices

No matters to report.

Significant findings

No matters to report.

Significant risks and results

Best estimate of the expenditure required to settle the present asset retirement obligations

RISK OF ERROR

Significant risk	Estimate?
The significant risk relates to the selection of assumptions related to the estimated cost and timing of performing required retirement activities.	Yes

Our response

Our procedures included, on a test basis:

- Evaluation of the cost estimates used by management, including inspection of cost estimates provided by third party consultants and related key assumptions.
- Evaluation of the estimated timing of performing required retirement activities, including verification of build dates, inspection of information provided by third party consultants and assessment of key assumptions.

Significant qualitative aspects of the Entity’s accounting practices

In order to determine a reasonable estimate of the expenditures required to settle the present asset retirement obligations, management hired external consultants to inspect each in-scope building to identify the existence of asbestos and other hazardous materials and provide cost estimates for removal. We have evaluated that this is considered to provide a reasonable estimate of the anticipated expenditures in current dollars. However, as management used the present value technique to measure the liability, these costs are required to be inflated to the point in time when retirement activities are expected to occur, and discounted back to present-day dollars. This measurement technique therefore requires an assumption to be made with respect to when retirement activities are expected to occur. Management based this assumption on the remaining useful lives of the underlying assets that has been utilized for purposes of recording amortization. However, in several instances, we identified contradictory evidence to suggest this assumption was not appropriate and recommended that management perform an assessment to better estimate the timing of retirement activities. No such assessment has been made for the 2023 financial statements. However, we performed a sensitivity analysis which demonstrated that significant changes to the timing of retirement activities would not have a material impact on the measurement of the liability (and related asset). As a result, this matter has no impact on our auditor’s report.

Significant findings

No additional matters to report.

Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.

Completeness of employee future benefits

Other risk of material misstatement	Estimate?
The provisions related to employment future benefits are not completely identified and recorded.	Yes

Our response

During our audit, we noted the City had not recorded a liability for post-employment benefits that accumulate but do not vest, such as sick leave benefits. The financial reporting framework dictates that that such benefits represent an obligation which is required to be accrued as earned. However, no such obligation has been recorded by the City historically as the amounts were expensed as incurred. In order to determine an estimate of the obligation, management engaged an actuary. The actuary developed a model based on the sick bank held by the City's employees and various assumptions related to the expected future utilization of the benefits.

Our procedures included:

- Obtaining an understanding of the actuary hired, as a management specialist, including an assessment of knowledge, skill, ability and objectivity;
- Reviewing key assumptions utilized by the actuary; and
- Testing of the accuracy of the data provided by management to the actuary to assess its relevance and reliability.

Significant qualitative aspects of the Company's accounting practices

No matters to report.

Significant findings

As a result of procedures performed, a misstatement of approximately $4.5 million was identified relating to an accumulated understatement of the obligation for employee future benefits. Management corrected this error through the current year, as an immaterial out-of-period adjustment and has left prior periods unadjusted. Refer to slides 10 and 12 for the resulting uncorrected misstatement and related control deficiency identified.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.

Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
  - This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Individually significant uncorrected misstatements

Description of misstatement	$ Thousands	
	Debit	Credit
Out-of-period adjustment to record employee benefit obligation		
Salaries, wages and benefits		$4,543
Opening accumulated surplus	$4,543	
To adjust for the accumulated sick leave liability recorded as at December 31, 2023.		
Unrecorded liability		
Accounts payable and accrued liabilities		$3,500
Expenses To adjust for certain expenses not accrued at December 31, 2023, related to obligations to be settled in a future period.	$3,500	

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more deficiencies.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

Control deficiencies

Deficiencies in internal control over financial reporting

Description	Finding
Unrecorded liabilities	As discussed on slide 10, we identified unrecorded liabilities during the course of our audit. Management has an established practice for researching and reviewing the accounting for non-routine transactions and adoption of new accounting standards, and, where considered necessary consulting with KPMG. The design of the controls associated with this practice are currently deemed to be appropriate. However, the controls did not operate as intended with respect to the recognition of certain liabilities. We recommend the City review its practices in place for identifying and recognizing liabilities in the correct reporting period.

Other observations

Description	Finding
Measurement of Tangible Capital Assets	*Prior year observations and recommendations:* In past periods we noted that current and relevant costing information was not provided to the City from developers when tangible capital assets were contributed. As a result, the City used prior year costs, adjusted for inflation, to measure contributed tangible capital assets. We recommended that the City request costing information to be provided directly from developers, reflecting the actual cost of assets contributed. Effective September 1, 2021, the City's Municipal Engineering Standards were updated to require developer's to submit costing information when tangible capital assets are contributed to the City, as evidenced by a signed Construction Completion Certificate (CCC). In 2022, developers began submitting costing information when tangible capital assets were contributed to the City. However, as this implementation occurred late in the year complete costing information was not yet available. *2023 Update:* In 2023, developers who contributed tangible capital assets to the City submitted costing information. Despite now having costing information from developers to measure each contributed tangible capital asset, the City continued to use the previous methodology, where they determined an average cost per unit for each asset type, and applied this average to all units contributed. In 2024, we expect management to measure these contributed tangible capital assets based on the costing information provided specific to each asset.

Other financial reporting matters

We also highlight the following:

Application of new accounting pronouncements

The following standards were adopted by the City for the year ended December 31, 2023:
- PS 3280 *Asset Retirement Obligations*
- PS 3450 *Financial Instruments*
- PS 2601 *Foreign Currency Translation*
- PS 1201 *Financial Statement Presentation*
- PS 3041 *Portfolio Investments*
- Amendments to PS 3050 *Loans Receivable*

Refer to slides 6 – 7 for the procedures we performed and our significant findings with respect to the City's adoption of PS 3280.

With respect to the remaining standards, we inspected position papers prepared by management on the impact of the standards to the financial statements and reviewed and evaluated the incremental disclosures required to be included within the financial statements.

As a result of the adoption of PS 3450, the City was required to evaluate significant contracts that may contain embedded derivatives, as these are now required to be measured and recorded. As a result of this analysis, the City determined that certain investments (principal protected notes) contained embedded derivatives. The City elected to measure the entire instruments at fair value. This standard was adopted prospectively such that the provisions of the standard were applied only to instruments entered into on or after January 1, 2023. None of the remaining other standards had a significant impact on the financial statements.

As a result of the adoption of PS 1201, the City was required to include the statement of remeasurement losses within its financial statements.

The remaining standards had no significant impact on the financial statements or our audit.

Appendices

Appendix 1: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council of the City of St. Albert

Opinion

We have audited the consolidated financial statements of the City of the City of St. Albert (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of remeasurement losses for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets, its consolidated remeasurement losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 2.a to the financial statements ("Note 2.a"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2.a explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the "2023 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report, as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

[DRAFT]

Chartered Professional Accountants

Edmonton, Canada

[Date]

Appendix 2: Draft management representation letter

(Letterhead of Client)

KPMG LLP

2200, 10175 – 101 Street

Edmonton, AB T5J 0H3

June 18, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of St. Albert ("the Entity") as at and for the year ended December 31, 2023.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated June 15, 2022, and the amendment to the engagement letter dated September 18, 2023, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   b) all information in relation to fraud or suspected fraud that we are aware of that involves:

      — management;

      — employees who have significant roles in internal control over financial reporting; or

      — others

      where such fraud or suspected fraud could have a material effect on the financial statements.

   c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

Employee future benefits:

8) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

9) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits, which include post-employment benefits, and that are funded or unfunded have been disclosed to you and included in the determination of the costs and obligations.

10) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

11) We agree with the findings of RSM Canada LLP as management's expert in preparing the actuarial valuation of sick leave obligations. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Asset retirement obligations:

12) All legal obligations associated with the retirement of tangible capital assets have been recognized, including those under the doctrine of promissory estoppel.

13) The obligations were recognized when incurred using management's best estimate of fair value.

Assets and liabilities:

14) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities that have not been disclosed to you.

Estimates:

15) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

16) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

17) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Accounting policies:

18) The accounting policies selected and applied are appropriate in the circumstances.

19) There have been no changes in, or newly adopted accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Misstatements:

20) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

21) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

22) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

William Fletcher
Chief Administrative Officer

Diane McMordie
Managing Director, Corporate & Emergency Services
Chief Financial Officer

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements

Summary of Audit Misstatements - Uncorrected

Entity:	City of St. Albert	
For Period Ended:	12/31/2023	
Amounts in:		000s
Method Used to Quantify Audit Misstatements:		Rollover method
Final Materiality:		6,500

Correcting Entry Necessary at Current Period End						Income Statement	Balance Sheet Effect - Debit (Credit)			
ID	**Description of misstatement**	**Factual, judgmental or projected misstatement?**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect according to Rollover method**	**Equity**	**Financial Assets**	**Non Financial Assets**	**Liabilities**
1	Current year impact of out-of-period adjustment to record employee benefit obligations.*	Factual	Salaries, wages and benefits	-	(4,543)	(4,543)	(4,543)	-	-	-
			Opening accumulated surplus	4,543	-	-	4,543	-	-	-
2	Unrecorded contingent liability.	Judgemental	Accounts payable and accrued liabilities	-	(3,500)	-	-	-	-	(3,500)
			Salaries, wages and benefits	3,500	-	3,500	3,500	-	-	-

	Income effect according to Rollover method	Equity	Financial Assets	Non Financial Assets	Liabilities
Aggregate effect of uncorrected audit misstatements:	**(1,043)**	**3,500**	**-**	**-**	**(3,500)**
Financial statement amounts (per final financial statements):	(60,666)	(1,399,925)	274,210	1,322,500	(196,785)
Uncorrected audit misstatements as a percentage of financial statement amounts:	1.72%	(0.25%)	0.00%	0.00%	0.00%

*KPMG has excluded any difference arising with respect to the annual expense of employee future benefits as these are deemed to be clearly inconsequential.

Summary of Audit Misstatements - Uncorrected

Entity: City of St. Albert
For Period Ended: 12/31/2022

Amounts in: 000s
Method Used to Quantify Audit Misstatements: Rollover method
Final Materiality: 6,000

Correcting Entry Necessary at Current Period End						Income Statement Effect - Debit(Credit)	Balance Sheet Effect - Debit (Credit)			
ID	**Description of misstatement**	**Factual, judgmental or projected misstatement?**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect according to Rollover method**	**Equity**	**Financial Assets**	**Non Financial Assets**	**Liabilities**
1	Unrecorded employee benefit obligations.*	Factual	Accounts payable and accrued liabilities	-	(4,543)	-	-	-	-	(4,543)
			Accumulated surplus	4,543	-	-	4,543	-	-	-
					Aggregate effect of uncorrected audit misstatements:	-	**4,543**	-	-	**(4,543)**
					Financial statement amounts (per final financial statements):	(50,257)	(1,339,269)	273,694	1,248,436	(182,861)
					Uncorrected audit misstatements as a percentage of financial statement amounts:	0.00%	(0.34%)	0.00%	0.00%	0.00%

*KPMG has excluded any difference arising with respect to the annual expense of employee future benefits as these are deemed to be clearly inconsequential.

Appendix 3: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards – see Current Developments

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Appendix 4: Audit quality - How do we deliver audit quality?

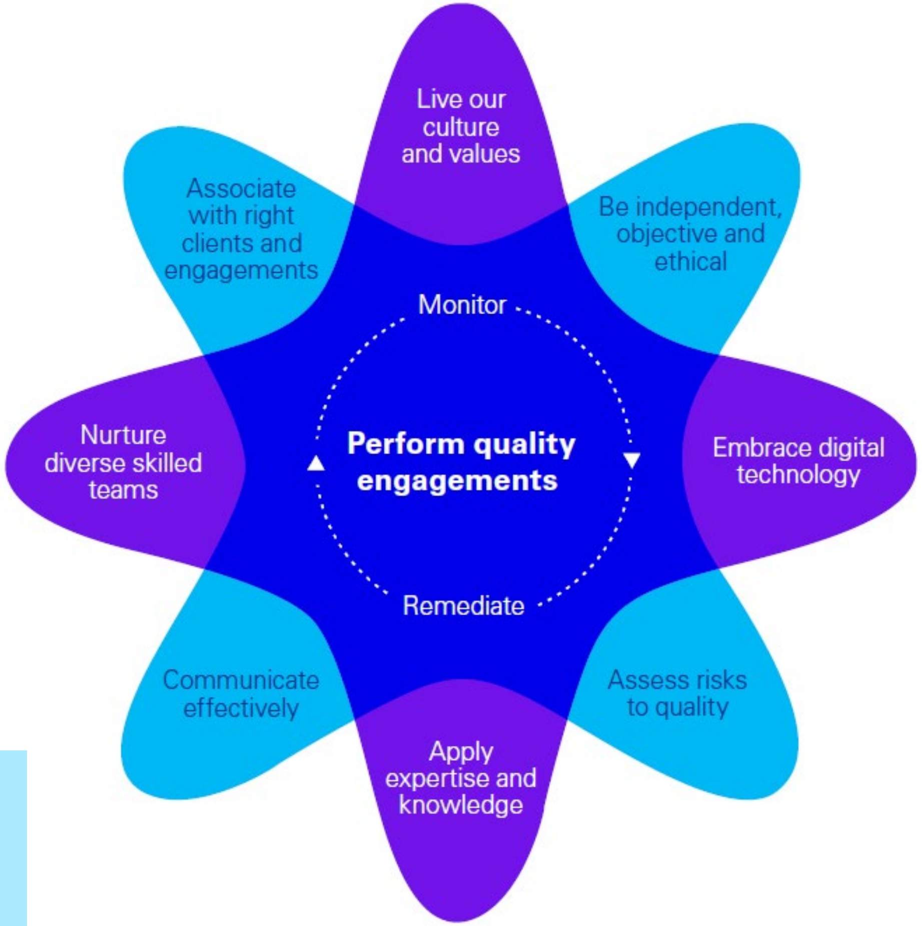
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 Audit Quality and Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix 5: Audit and assurance insights

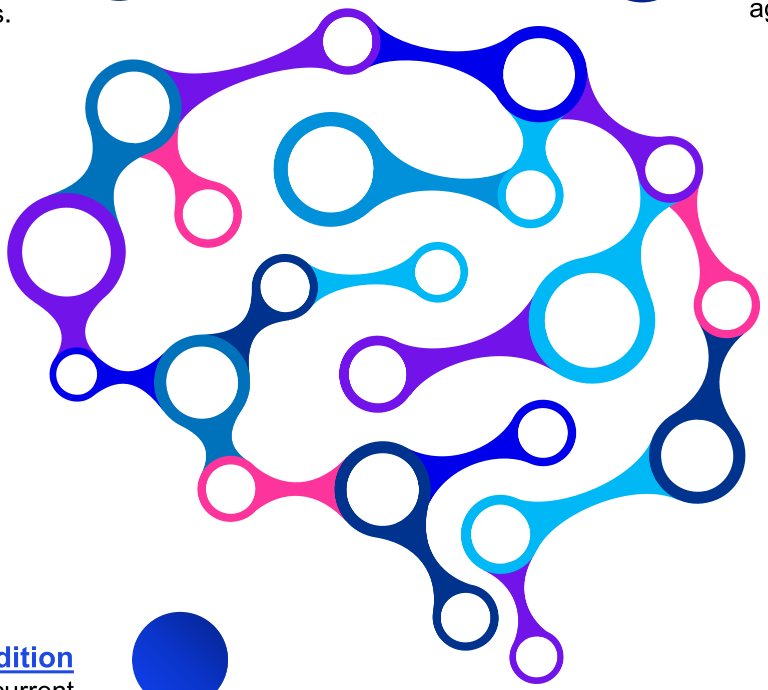
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

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https://kpmg.com/ca/en/home.html